71

(2)

No. 07-283

FILED
NOV 5 - 2007
OFFICE OF THE CLERK
SUPREME COURT, U.S.

IN THE

Supreme Court of the United States

THOMAS A. MILLER, DARREL C. PINKSTON, and MILLER VENEERS, INC.

Petitioners

v.

ROBERT D. BRAND, CAPITAL MACHINE CO., INC., and INDIANA FORGE, LLC,

Respondents.

On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

REPLY TO BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

Charles L. Gholz*
Robert C. Nissen
Oblon, Spivak,
McClelland, Maier
& Neustadt, P.C.
1940 Duke Street
Alexandria, VA 22314
(703) 413-3000

Clifford W. Browning
Krieg DeVault LLP
One Indiana Square
Suite 2800
Indianapolis, IN
(317) 238-6203

*Counsel of record

Counsel for Petitioners

PARTIES TO THE PROCEEDINGS

In addition to the parties named in the caption, the following parties are respondents in this proceeding:

None

The following parties are affiliated with petitioners in this proceeding:

None

There is no parent corporation or publicly held corporation that has a 10% or greater ownership interest in Miller Veneers, Inc.

TABLE OF CONTENTS

PARTIES TO THE PROCEEDINGS i

TABLE OF CONTENTS ii

TABLE OF AUTHORITIES iii

I. PRELIMINARY MATTERS 1

II. STANDARD OF REVIEW 3

A. There is a Circuit Split Between the Federal Circuit and Most Other Circuits, Which Use the Arbitrary or Capricious Standard 4

B. Board Proceedings Are Not Formal Hearings 7

C. "Chaos" Will Not Reign if Board Decisions Are Reviewed Under the Arbitrary or Capricious Standard 9

III. OBVIOUSNESS 10

TABLE OF AUTHORITIES

Cases

Agawam Co. v. Jordan,
74 U.S. (7 Wall.) 583 (1868) 11

Ass'n of Data Processing Serv. Orgs., Inc. v. Bd. of Governors of Fed. Reserve Sys.,
745 F.2d 677 (D.C. Cir. 1984) (Scalia, J.) 5, 6

CAE, Inc. v. Clean Air Engineering, Inc.,
267 F.3d 660 (7th Cir. 2001) 7, 10

Citizens to Preserve Overton Park, Inc. v. Volpe,
401 U.S. 402 (1971) 8

Dickinson v. Zurko,
527 U.S. 150 (1999) 8, 9, 10

Gartside, In re
203 F.3d 1305 (Fed. Cir. 2000) 5, 6

GTE South, Inc. v. Morrison,
199 F.3d 733 (4th Cir. 1999) 6

KSR Int'l Co. v. Teleflex, Inc.,
127 S. Ct. 1727 (2007) 1, 12

New England Braiding Co., Inc., v. A.W. Chesterton Co.,
970 F.2d 878 (Fed. Cir. 1992) 11

Tate Access Floors, Inc. v. Interface Architectural Res., Inc.,
279 F.3d 1357 (Fed. Cir. 2002) 3

Trans Texas Holdings Corp., In re
498 F.3d 1290 (Fed. Cir. 2007) 2

United States v. Williams,
504 U.S. 36 (1992) 3

Wileman Bros. & Elliott v. Espy,
58 F.3d 1367 (9th Cir. 1995).....6

Winner Intern. Royalty Corp. v. Wang,
202 F.3d 1340 (Fed. Cir. 2000) 8, 10

Zurko, In re
258 F.3d 1379 (Fed. Cir. 2001) 11

Statutes

5 USC § 556(d).....7

5 USC § 706.....8

35 USC § 6(b) 6, 8

35 USC § 144.....6, 7, 8

35 USC § 145.....7

35 USC § 146 .....7, 9, 10

Rules

Fed. R. App. P. 36(a)(2) 3

Other Authorities

Charles L. Gholz, *First-to-File or First-to-Invent?*, 82 J. Pat. & TM Off. Soc'y 891 (2000) 1, 2

Stuart M. Benjamin and Arti K. Rai, *Who's Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 Georgetown L.R. 269 (2007) 9

Petitioners explained in their opening brief that the Federal Circuit uses the wrong evidentiary standard when it hears an appeal from the Board in an interference proceeding and that the Federal Circuit ignored the Court's decision in *KSR Int'l Co. v. Teleflex, Inc.*, 127 S. Ct. 1727 (2007), in deciding this appeal. Respondents never adequately address those two core issues.

I. PRELIMINARY MATTERS

Respondents first argue that the Court should not hear this case because it is not important. Opp. at 3. Respondents point out that, subsequent to the filing of the petition for certiorari, the House of Representatives passed a bill that would end interferences as such. *Id.* at 6. Respondents' argument is wrong for two reasons.

First, it is unclear whether the bill passed by the House will ever become law as neither the Senate nor the President has yet to weigh in on the proposed bill. The fact of the matter is that the imminent demise of patent interferences has been predicted for over seventy years with no such "death" every resulting. Judge Rich (the longest serving judge on the Federal Circuit and its predecessor, the CCPA) often told the story that, in the 1930s, his father (also a patent practitioner) suggested to him that he not practice interference law because that was a dying area of law, soon to be made obsolete by statute. Charles L. Gholz, *First-to-File or First-to-*

Invent?, 82 J. Pat. & TM Off. Soc'y 891, 891 (2000). Thus, the fact that merely one house of Congress has passed a bill limiting interference practice should not be a basis for the Court denying the petition.

Second, Respondents concede that, even under the proposed house bill, "derivation proceedings" will remain. Opp. at 5. This is critically important because, as Respondents repeatedly state, the proceeding below ***was a derivation proceeding***. Thus, this case involves the one area of interference law that would be left untouched if the proposed house bill becomes law.

Respondents further concede that this case raises an issue that may arise nearly one hundred times each year. Opp. at 5. Further, the Federal Circuit recently answered the one question left open below, holding that it would review the Board's decisions in *ex parte* re-examinations under the "substantial evidence" standard. *In re Trans Texas Holdings Corp.*, 498 F.3d 1290, 1300 (Fed. Cir. 2007). Thus, the more general question of what is the appropriate standard of review for *ex parte* proceedings before the Board may arise thousands of times each year.[1]

---

[1] Although the Federal Circuit did not address the standard of review to use in appeals from the rejection of claims during examinations, there is no reason to believe that it would use a different standard of review in those cases than it would use for reviewing the rejection of claims during reexaminations.

Respondents also imply that the Court should not take this case because the PTO has "accepted the judgment of the Federal Circuit." Opp. at 10. They base that contention on the fact that, after remand, "the Board entered judgment for Brand [and] ... remanded the Brand Application to the examiner." *Id.* But the PTO was not a party to the proceedings in the Federal Circuit and could not have filed a petition for certiorari. The fact that the PTO merely fulfilled its duty to follow the remand order from the Federal Circuit provides no evidence that it agreed with that remand.

II. STANDARD OF REVIEW

Respondents complain that Petitioners did not raise the standard of review issue below.[2] The Court, however, "permit[s] review of an issue not pressed so long as it has been passed upon." *United States v. Williams*, 504 U.S. 36, 41 (1992). Here,

---

[2] Respondents note that *Gartside* addressed the exact issue raised here; namely, what is the appropriate standard of review when reviewing decisions of the Board. Thus, under the binding precedent of the Federal Circuit, the subsequent panel was required to follow *Gartside*. *See Tate Access Floors, Inc. v. Interface Architectural Res., Inc.*, 279 F.3d 1357, 1366 (Fed. Cir. 2002). Although Petitioners could have requested the Federal Circuit to hear the case *en banc* in the first instance to overrule *Gartside*, such requests are seldom granted. Furthermore, as the prevailing party below, Petitioner would have been happy with a FRAP 36(a)(2) affirmance.

Respondents admit that "the Federal Circuit analyzed the question of the proper evidentiary standard to use." Opp. at 13. Accordingly, because the Federal Circuit directly addressed the issue raised by the certiorari petition, that issue is properly before the Court.

Petitioners explained that the proceedings before the Board should be reviewed under the arbitrary or capricious standard, not the substantial evidence standard. Respondents do not directly contest that point. Instead, Respondents argue that the Federal Circuit's holding below is correct because it "is in accordance with *Gartside*." Opp. at 14 n.11. Respondents miss the point. Petitioners concede that the decision below complies with *Gartside*, but assert that *Gartside* was incorrectly decided.[3]

A. There is a Circuit Split Between the Federal Circuit and Most Other Circuits, Which Use the Arbitrary or Capricious Standard

The main argument that Respondents raise is that

---

[3] Respondents argue that the Federal Circuit's use of substantial evidence review is not "a 'rigid rule' forbidding the use of 'common sense.'" Opp. at 14. Petitioners never claimed otherwise. Instead, Petitioners explained that the Federal Circuit's refusal to allow APJs to use their common sense (*see infra* Section III) is a rigid rule that violates *KSR*. Pet. at 13.

> [there is] no circuit split between circuits following *Ass'n of Data Processing Serv. Orgs., Inc. v. Bd. of Governors of Fed. Reserve Sys.*, 745 F.2d 677 (D.C. Cir. 1984) (Scalia, J.) and the Federal Circuit following *In re Gartside*, 203 F.3d 1305 (Fed. Cir. 2000) ... since both *Gartside* and the opinion here ... follow *Data Processing* and quote it.

Opp. at 2. Respondents are half right. Both *Gartside* and the opinion here ***quote*** *Data Processing*. But ***neither*** *Gartside* nor the opinion here ***follows*** *Data Processing* in relevant part. Here, the Federal Circuit quoted *Data Processing* merely for the statement that "the factual support must be found in the closed record." App. at 10. Similarly, in *Gartside*, the Federal Circuit quoted *Data Processing* for the same proposition, along with the proposition "that the 'arbitrary, capricious' standard is ... the default [standard]." *Gartside*, 203 F.3d at 1312-13, 1315.

Although both cases quote from *Data Processing*, neither *Gartside* nor the opinion here follows its ***holding***. *Data Processing* held that the proper standard for review for factual findings under the APA is the arbitrary or capricious standard. *Data Processing*, 745 F.2d at 686. It is true, however, that *Data Processing* states that the "substantial evidence" standard is also appropriate,

id., but that was due to its finding that the "substantial evidence" and the "arbitrary or capricious" standard are one and the same. *Id.* The Federal Circuit, on the other hand, explicitly stated in *Gartside* and again here that it believes that the "substantial evidence" standard provides less deference to the agency than the "arbitrary or capricious" standard. *See Gartside*, 203 F.3d at 1312 ("[T]he 'arbitrary, capricious' standard of review is highly deferential ... [and] is generally considered to be the most deferential of the APA standards of review. ... On the other hand, the 'substantial evidence' standard ... is considered to be a less deferential review standard than 'arbitrary, capricious.'"). The split between the Federal Circuit and the circuits that follow *Data Processing*'s holding could not be more clear.[4]

The only way Respondents can distinguish between the cases cited in the Petition is by devising a rule that only applies to the Federal Circuit so that they can ignore all the cases from other circuits. The "rule" Respondents put forth is that: "If the case is subject to 35 USC § 6(b) and 35 USC § 144, circuit court review of factual findings is under the 'substantial evidence' standard." But 35 USC § 6(b)

---

[4] In addition to the circuits listed in the petition, the Fourth, and Ninth circuits also follow *Data Processing*. *See GTE South, Inc. v. Morrison*, 199 F.3d 733, 745 (4th Cir. 1999); *Wileman Bros. & Elliott v. Espy*, 58 F.3d 1367, 1374-75 (9th Cir. 1995).

only applies to the Board; ***all appeals*** from the Board must go to the Federal Circuit.[5] 35 USC § 144. Of course there is not going to be a circuit split if a "rule" is limited to a single circuit. But Respondents have failed to explain why there should be one rule regarding APA standard of review that only applies to the Federal Circuit, while almost every other circuit uses a different "rule" regarding the APA standard of review.[6]

B. Board Proceedings Are Not Formal Hearings

Respondents attempt to build up interference proceedings to make them appear to be formal proceedings. Opp. at 4-5. But the APA defines a "formal proceeding" as one in which "a party is entitled to present his case or defense by oral ...

---

[5] While district courts may hear new evidence and review decisions of the Board under 35 USC §§ 145, 146, those proceedings are not appeals.

[6] In passing, Respondents discuss *CAE, Inc. v. Clean Air Engineering, Inc.*, 267 F.3d 660 (7th Cir. 2001). The *CAE* court *sua sponte* addressed the issue of what standard of review to use in reviewing trademark decisions of the TTAB after *Zurko*. *Id.* at 675-76. Considering that neither party briefed the issue and that the district court had not addressed the issue, *id.* at 675, it is not surprising that the panel chose to follow the only circuit court that had addressed the issue of what standard of review to use in reviewing decisions from the PTO after *Zurko*. *Id.* at 675-76. Notably, the Seventh Circuit is not one of the six circuits that have explicitly chosen to follow the decision by (then) Judge Scalia in *Data Processing*.

evidence, ... and to conduct such cross-examination as may be required for a full and true disclosure of the facts." 5 USC § 556(d). No such "entitlement" exists in Board proceedings. Indeed, the Federal Circuit has stated (albeit in *dicta*), that "at no point in the interference proceeding is a party allowed to present live testimony before the Board." *Winner Intern. Royalty Corp. v. Wang*, 202 F.3d 1340, 1347 (Fed. Cir. 2000).

Respondents imply that, "because an appeal is taken on the record before the [Board]," 35 USC § 144, the proceedings are formal. Opp. at 15 n.14. But the Court explained in *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402 (1971), that judicial review virtually always requires "the full administrative record that was before the [agency] at the time [it] made [its] decision." *Id.* at 420. Thus, the fact that a record is made does not make the proceedings before the agency "formal" under the APA. *See id.* at 417.

Respondents also imply that, because 35 USC § 6(b) requires that the interference proceedings be "heard," interference proceedings must be "formal."[7] Opp at 15. But, as Justice Breyer noted at oral argument in *Zurko*, such reasoning is "inconsistent with the longstanding practice of reviewing factfinding in informal rulemakings and informal

[7] Respondents further imply that because interferences are "governed by 5 USC § 706," they are not "informal." Opp. at 5. But what Respondents fail to realize is that 5 USC § 706(2)(A) specifically provides for an "arbitrary or capricious" standard of review.

adjudications under arbitrary or capricious review." Stuart M. Benjamin and Arti K. Rai, *Who's Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 Georgetown L.R. 269, 288 (2007) (*citing* Transcript of Oral Argument at *5-*7, *Dickinson v. Zurko*, 527 U.S. 150 (1999) (No. 98-377), available at 1999 WL 190969)). Assuming *arguendo* that "heard" equals "hearing," it does not equate to a "formal hearing" as defined by the APA. Simply put, the proceedings before the Board are not formal hearings because, as explained *supra*, they lack the essential requirements of a "formal" hearing under the APA -- which include, *inter alia*, the ***right*** to present live testimony.

C. "Chaos" Will Not Reign if Board Decisions Are Reviewed Under the Arbitrary or Capricious Standard

Finally, Respondents argue that, if the losing party at the Board requests district court review under 35 USC § 146, "chaos" will ensue if the Federal Circuit is required to review the Board's factual findings under the arbitrary or capricious standard, but review the district court's factual findings under the clearly erroneous standard.

Respondents' argument demonstrates confusion regarding the standard of review. As the Court explained in *Zurko,* 527 U.S. at 162-65, the "clearly erroneous" standard of review is a higher standard of review than ***both*** "substantial evidence"

and "arbitrary or capricious." *See also CAE, Inc.*, 267 F.3d at 676 ("the proper standard of judicial review of findings of fact made by the PTO is not the stricter 'clearly erroneous' standard but rather the slightly more deferential standard of the [APA]"). Thus, the district court's factual findings already receive less deference than the Board's factual findings. Chaos, however, has not resulted. Neither would chaos result if decisions of the Board were reviewed under the "arbitrary or capricious" standard. Indeed, the "chaos will ensue" argument was specifically rejected by the Court in *Zurko*.[8] *See Zurko*, 527 U.S. at 164 (stating that using different standards of review for district courts than for the Board should not be problematic).

III. OBVIOUSNESS

Respondents argue that *KSR* does not apply because this case involves priority of invention, not obviousness.[9] Opp. at 2, 20. Respondents are wrong.

---

[8] In any event, the Federal Circuit has already addressed this issue. In *Winner*, the Federal Circuit held that, if the district court hears live testimony when it is reviewing the Board's decision in an action under 35 USC § 146, the district court must make *de novo* factual findings, as well as adopting (or rejecting) the factual findings made by the Board. *Winner*, 202 F.3d at 1347. The Federal Circuit on appeal then reviews all the factual findings from below under the clearly erroneous standard. *Id.* at 1348.

[9] Respondents also briefly complain that Petitioners did not raise *KSR* below. But Respondents concede that *KSR* only issued two weeks before the opinion below was released, and

> ***To invalidate a patent for derivation*** of invention, a party must demonstrate that the named inventor in the patent acquired knowledge of the claimed invention from another, or at least so much of the claimed invention as ***would have made it obvious to one of ordinary skill in the art.***

New England Braiding Co., Inc., v. A.W. Chesterton Co., 970 F.2d 878, 883 (Fed. Cir. 1992) (*citing Agawam Co. v. Jordan*, 74 U.S. (7 Wall.) 583 (1868)) (emphasis added). Thus, contrary to Respondents' assertions, the exact question before both the Board and the Federal Circuit was whether the information that Miller disclosed to Brand "made [the invention] obvious to one of ordinary skill in the art."[10] Consequently, Respondents' claim that "[t]he Federal Circuit was not reviewing an obviousness determination in this case," Opp. at 20, is flatly wrong. As this case ***is*** about the Federal Circuit's review of an obviousness determination, it is a

---

less than one month before Respondents filed their petition for rehearing.

[10] Respondents' basically irrelevant contention that sketches are not references is wrong. *See* Opp. at 22 n.21. A reference is anything that may be relied on to invalidate a patent. Indeed, in *Zurko*, "[t]he primary reference [was] the UNIX operating system." *In re Zurko*, 258 F.3d 1379, 1382 (Fed. Cir. 2001).

proper vehicle for the Court to instruct the Federal Circuit on whether *KSR* applies to Board proceedings.

In addition to misstating what the Federal Circuit was reviewing in this case, Respondents also misstate the holding from *KSR*. Contrary to Respondents' assertions, *KSR* is ***not*** limited to "situations where ... there was no relevant record evidence." *Id.* at 23 n.21 (emphasis removed). The Court held in *KSR* that it is proper for judges and patent examiners to use "common sense" to decide whether combining references would have been obvious to one of ordinary skill in the art. *KSR*, 127 S. Ct. at 1742-43. Nowhere did *KSR* say or imply that factfinders could not use common sense if there was relevant record evidence. Indeed, if Respondents' analysis were correct, an applicant could always foreclose an examiner from using common sense by submitting a self-serving affidavit stating that an invention would not have been obvious to one of ordinary skill based on a single or multiple reference (which, in fact, is the exact "evidence" that Respondents submitted to the Board).

Respondents repeatedly contend that the Board did not use its common sense, but rather "base[d] factual findings on its own expertise instead of the record evidence." Opp. Br. at 23 n.21. But Respondents, like the Federal Circuit in its opinion, fail to point to even one specific instance where the

Board actually "based factual findings on its own expertise." Moreover, no such instance exists. Instead, the Board used its common sense and correctly found that the information Miller gave to Brand (as evidenced by the two sketches) would have made the patented invention obvious to one of ordinary skill in the art, such that Brand derived his invention from Miller.[11]

Finally, Respondents are reduced to arguing hyperbole. But, as was true regarding the standard of review question, "chaos" will not result if the Court grants certiorari and overrules the Federal Circuit. The Court should grant the petition for certiorari to determine if it is proper for the APJs to use their common sense to decide whether a given disclosure would have made a claimed invention obvious.

---

[11] Respondents' repeated mantra that its evidence was "unrebutted" is simply not true. *See, e.g.*, Opp. at 27. Respondents' evidence ***was*** rebutted by the affidavit of Robert Brand -- whom Respondents allege is the actual inventor. *See* Pet. at 5 n.3

Respectfully submitted,

Charles L. Gholz*
Robert C. Nissen
Oblon, Spivak, McClelland,
Maier & Neustadt, P.C.
1940 Duke Street
Alexandria, VA 22314
(703) 413-3000

* Counsel of Record

Clifford W. Browning
Krieg DeVault LLP
One Indiana Square, Suite 2800
Indianapolis IN 46204
(317) 238-6203